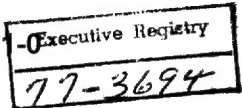


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NIO 518-77
10 March 1977

MEMORANDUM FOR: Admiral Turner

THROUGH : Deputy to the DCI for National Intelligence

FROM : National Intelligence Officer for Economics

SUBJECT : Economic Intelligence Support to Cabinet

In view of the President's expressed desire at yesterday's briefing here that the broadest possible intelligence support be provided to a whole range of cabinet offices, you will be pleased to know that, especially in the economic sphere, some truly impressive progress has been made in recent years. The attached memo briefly describes this progress.

In summary, as a result of considerable effort by CIA's Director of Economic Research, by your NIO for Economics, and, more recently, by the IC Staff, a network of relationships and information flows between intelligence producers and policy-level consumers has developed. It was well-regarded by the last Administration (see my memo on George Bush's meeting with the Economic Policy Board last November at Tab A), and is being rebuilt and expanded with the new Administration. The key to its continued success, however, is two-way communication, i.e., we must engender sufficient interest and satisfaction at the policy level, to induce them to devote some of their precious time to communicate with us.



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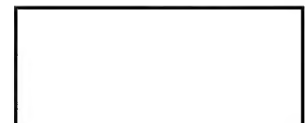
National Intelligence Officer
for Economics

Attachment

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Economic Intelligence Support to Executive Departments

1. CIA's Office of Economic Research (OER) has worked for many years to improve and expand its intelligence support to the US economic policy community. By now, we have developed extensive direct contacts with the key members of the Economic Policy Group (EPG) and their support echelons in Cabinet departments, independent agencies, and White House offices. These contacts are both formal and informal. [Incidentally, we also have regular and intermittent contacts with Congress and congressional staffs, which are generally handled via the Congressional Support Officer, and invariably monitored by the Office of Legislative Counsel.]

2. Key members of OER have maintained regular and ad hoc contacts with policymakers primarily at Assistant and Deputy Assistant Secretary levels and below, but sometimes at Cabinet level. These contacts have resulted partly from our own initiative and partly from policymakers' explicit requests. The more notable of these contacts are with State, Treasury, Agriculture, and Commerce; in the last Administration we have also had direct contact with the Assistant to the President, the National Security Council, and the White House offices responsible for international economic policy (the Special Trade Representative, the Council on International Economic Policy, and Chairman and members of the Council of Economic Advisers).

3. Such meetings have provided valuable insights into policymakers' concerns and opportunities to brief on and provide analyses of such issues as the North-South dialogue, petrodollar recycling, LDC payments balances, Soviet and Chinese capabilities, and economic recovery in the OECD countries. Examples of formal responses to some of these concerns are Non-OPEC LDCs: Dimensions of Growth and Payments Demands, The Impending Soviet Oil Crisis, West Germany: The Impact of Alternative Stimulation Proposals, and China: Oil Production Prospects. These papers received special dissemination to highest level readers. In addition, OER's two periodical publications, the Economic Intelligence Weekly and International Oil Developments are provided to Cabinet and sub-Cabinet rank.

4. Informal contact at both the working and management level enhance our capability to respond to the vast variety of policymaker demands. Indeed, the bulk of our production is in response to direct requests from customers. Our responses vary from typescript memoranda focused on rather narrow questions to published memoranda or articles in periodic intelligence publications on topics of more general interest. Because the contacts tend to become continuing substantive dialogues, they continually add to our awareness of the policy context and, therefore, our ability to serve policymakers' needs.

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5. We are now engaged in rebuilding some of the high-level contacts lost with the change of Administration. For example, we held a six-hour briefing here last month for William Nordhaus, the new member of the President's Council of Economic Advisers responsible for international economics. We also met for two hours with the new Under Secretary of State for Economics, Richard Cooper. We contemplate similar fruitful sessions for Secretary of the Treasury Blumenthal, Assistant Secretary Bergsten and others.

6. The key to a productive relationship with Executive Branch policymakers is to be timely with our product and analytically relevant to their interests. Only by demonstrating to them and their staffs that we have a useful product can we persuade them to give us of their valuable time.

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NOV 11 1976
11 November 1976

MEMORANDUM FOR THE RECORD

SUBJECT: DCI's Meeting with the EPB 9 November

1. At Treasury Secretary Simon's initiative, the DCI met with the Economic Policy Board (EPB) on Tuesday morning, November 9, to review the relationship that has evolved between intelligence and economic policymaking.

2. It was a unique session in three respects:

- (a) The level of attendance -- the full economic cabinet and all but one White House principal (Greenspan) were present; two members of the PFIAB (Chairman Cherne and Bill Casey) also attended.
- (b) The length of the meeting -- 1 1/2 hours, a good deal longer than normal EPB meetings and
- (c) The upbeat tone of the discussion -- mostly expressions of appreciation of the intelligence contribution to policymaking and a strong vote in favor of more.

3. Simon, who chaired the meeting, asked the DCI to make some brief introductory remarks. The DCI noted the increasingly pervasive role of economics in decisionmaking and the large number of issues on which we now provide policy-oriented intelligence. He cited some of our major accomplishments and indicated our awareness of some of our shortcomings -- the need for more comprehensive integrative estimates, for better institutional initiatives to stimulate such estimates, and for a greater use of external research to supplement our internal capabilities. He concluded with an invitation to those present to take a retrospective view of their experience of the past few years and to share with us their appraisal of their own performance in relating to intelligence and the desirability of developing a more "intimate" as compared with an "arm's length" relationship with intelligence.

4. Simon weighed in immediately with a strong endorsement of intimacy, emphasizing that he had done all he could to draw CIA closer to policy by sharing his briefing books and personal 25X1

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policy memoranda and engaging in a continuous dialogue. He reiterated his vigorous support of a closer intelligence role in the policy process.

5. Simon then went around the room asking each EPB member to comment. Following are some of the highlights of these comments:

(a) Substantive. A number of apt suggestions were made by Richardson, Lynn, and Dent for the kinds of intelligence support they would like to see:

- o early warning of new economic problems or issues that might face policymakers in the future; e.g., the possibility that the Soviet Bloc, in its desperate pursuit of hard currency earnings, might resort to dumping on a large scale, and the need for developing new, specialized rules for defining "dumping" so that it is meaningful in the context of a non-market economy.
- o improving the economic-political-diplomatic linkages in policymaking, such as by improving our understanding of what constitutes economic leverage -- Richardson suggested a study of the history of economic sanctions. Do they work? Are we overestimating leverage potential? Can intelligence identify leverage opportunities?
- o more analyses of a longer-term nature, focused on US policy interests.

6. There were also some suggestions that seemed less appropriate as intelligence tasks:

- o a study of the experience of other countries with social welfare programs, to highlight what was viewed as a widespread disillusionment with an overly intrusive government role
- o a study of activities of international unions, particularly in reacting to the activities of multinational corporations
- o more forward-looking intelligence on the emergence of new industries that might be helpful to the commercial interests of American business firms.

7. These and other substantive comments were all explicitly aimed at more policy-focused analysis, with the single exception of Chuck Robinson, whose remarks reflected a view not uncommon within State that it is undesirable for intelligence to draw policy implications. Simon disagreed vehemently with this view, arguing that, as far as he was concerned, intelligence should not only draw policy implications, but should actually make explicit policy recommendations. But to this, both the DCI and Richardson took immediate exception, pointing out that intelligence recognizes the limits of its charter. It must remain aloof from specific policy lines, if it is to avoid biasing its own analysis. Examining alternative policy options is one thing, making policy recommendations quite another.

(b) Institutional. Most of the remaining comments dealt with the problems of coordinating and integrating both the policy process and the use of intelligence to serve that process. For example:

- o Robinson was concerned that State's and Treasury's competitive tasking of intelligence might overwhelm the Office of Economic Research and that tasking therefore should be coordinated between them.
- o Richardson recommended a joint EPB-NSC policymaking framework, so as to integrate economic issues more fully into the national security decision process.
- o Richardson expressed a desire for Commerce to join Treasury in being represented on the NFIB and its Economic Intelligence Committee.
- o A most cogent point was made by Seidman, who pointed out that the key to both intelligence and policy integration is how the White House is organized. He asserted that the separation of international from domestic economic policy that has occurred was pure foolishness, and argued that the EPB should have been the focal point both for coordinating economic intelligence tasking and integrating the intelligence input. He blamed the failure to do this on the shortcomings of White House organization.

(c) PFIAB Comments. Chairman Leo Cherne expressed amazement at the extraordinary nature of this meeting and the hope that its lessons will not be lost upon the new Administration. Simon urged the DCI to do his best to convey what we have learned to the transition team.

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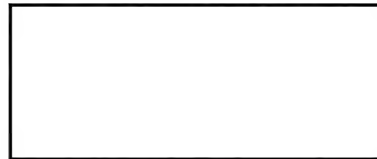
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Cherne then commented on the futility of trying to develop standard formulas or SOPs for channelling intelligence into the decision process, given the fact that nobody really understands how executive decisions are made. (He cited a recent Harvard Business Review article showing how every chief executive makes decisions his own way.) There was much agreement on the critical dependence of decision processes on personal style.

Bill Casey was then asked to summarize a memorandum he had prepared for the PFIAB on his view of future economic intelligence requirements. (The memo will be circulated separately.) Casey sees the real deficiencies as the lack of "comprehensive economic analysis", the absence of a forum for evaluating overall economic strategy and threats, the excess of concern for military as compared with economic S & T, and our failure to tap the economic wisdom of the business community at high levels.

8. The meeting ended on a general tone of consensus: intelligence support for economics is valuable, should and can be strengthened, and ought to be expanded into wider and more ambitious reaches.



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